

FOR OFFICIAL USE ONLY

17 May 1972

MEMORANDUM FOR: Deputy Director for Intelligence

SUBJECT : Military Economics Panel

1. In response to your request for one or more sets of qualifications for members of the Director's Military Economics Panel, we have compiled the following list. We do not feel that any prospective panel member should necessarily fit exactly any of these sample profiles or that there be more than one representative from each of the broad categories indicated. We do believe, however, that the skills and experience suggested by the profiles are important to an advisory group of this type.

2. We recommend that the Panel include:

--A prominent academician from the field of Soviet economics. It would not be necessary that this representative be particularly familiar with military-economics. We do consider it important that he understand the nature of Soviet economic statistics and be a generally acknowledged authority in his field. Given the specialized subjects to be included in the purview of the Panel, we suggest that someone with these qualifications serve as chairman.

--An economist or professional systems analyst who is thoroughly familiar with the costs of procuring and maintaining major US weapon systems. We believe that Marshall's recommendation on this point makes good sense. Our current costing methodology relies heavily on US analogs. Moreover, the recent misgivings expressed by DIA about our defense spending estimates suggest that impressions--regardless of their accuracy--about the US experience in buying and operating complex weapon systems have influenced the thinking of many people interested in Soviet defense spending.

FOR OFFICIAL USE ONLY

**FOR OFFICIAL USE ONLY**

--A current or former defense decision-maker who, if not actually trained in systems analysis, has at least some appreciation for quantitative techniques as an aid to problem solving. Someone who has been in the position of using military spending information as one of the considerations in determining the level of the US defense effort would presumably be a valuable critic of the form as well as the substance of CIA military-economic reports.

3. Other possible Panel members could be:

--An individual with broad experience in planning, managing, or analyzing large R&D problems. Soviet RDT&E spending is an especially difficult area of intelligence research. Any additional expertise brought to bear on this problem, even in context of an advisory panel, could be of value.

--A general Sovietologist.



Acting Director  
Strategic Research

25X1

**FOR OFFICIAL USE ONLY**

Proposed Membership  
DCI Military Economic Advisory Panel

Chairman: A generally acknowledged authority on the Soviet economy with a deep understanding of Soviet economic statistics:

25X1

Other members: (one from each category)

25X1

--Academician--Specialist on the Soviet economy:

--Economist or systems analyst who is familiar with the costs of procuring and maintaining major US weapon systems:

25X1

--A current or former defense decision-maker with some appreciation for quantitative techniques for solving problems; one who has been in a position of using military spending information as an input to decisions on the US defense effort:

25X1

--An individual with broad experience in planning, managing or analyzing large R&D problems:

25X1

--A recognized specialist on Soviet affairs:

25X1

DCI Military Economic Advisory Panel

Background and Functions

1. For more than 15 years the Directorate of Intelligence has been producing estimates of Soviet defense expenditures as part of its responsibilities for the production of economic intelligence on the USSR. This activity has provided a service of common concern to all agencies in the national security community interested in analyses of Soviet military forces and programs. Interest in our work in this area has increased greatly over the past two years or so, at least in part because of economic developments in the United States which have focused attention generally on the expenditure implications of defense activities. It is clear that the intelligence on Soviet defense spending provided to the US decision-maker must be of the highest quality. To this end an advisory panel of outside experts can help to insure that the best possible job is being done.

2. Specifically, it would be necessary for the panel members first to become thoroughly familiar with the data base and methodologies now being used in the Directorate of Intelligence. This would require a fairly substantial initial investment of time--on the order of one to two weeks--on the part of the panel members. It would be necessary, for example, for the panel to gain a solid appreciation of the intelligence sources and quality of the evidence on all aspects of Soviet military forces and programs. This would be a first order of business and could only be achieved by several days of detailed briefings and study of selected finished intelligence studies.

3. At the completion of an initial phase of study and familiarization--within, say six months--the panel would be expected to advise the Director of Central Intelligence on three important aspects

of the military economic analysis now being performed in the Directorate of Intelligence:

--Evaluation of data sources

--Evaluation of methodologies

--Critique of finished intelligence studies:  
do they address the right questions? do they  
utilize appropriate cost concepts? do they  
adequately measure levels and changes in levels  
of weapons development, procurement, and deploy-  
ment and the operating activities of the forces?

4. The panel would be a continuing body to be called upon for assistance as deemed necessary by the DCI. In particular the panel would be expected to perform a follow-up review of its initial recommendations. Annual joint meetings lasting up to several days would be needed, supplemented by periodic meetings of CIA personnel with individual panel members, as required.

MEMORANDUM FOR: Deputy Director for  
Intelligence

Here are the papers you asked for. I also am returning our original package. The draft letters, for example, may still be of use to you.

The candidates in each category are listed in the order of our preference. Enthoven could qualify in more than one category, but we have a gap in the R&D area and he has had experience here. We are also checking with Don Steininger for possible others.

I am uncertain of classification of these two papers, but suggest that *Administrative: Official Use Only* would be appropriate and would let you use them flexibly.

25 May 1972  
(DATE)

FORM NO. 101 REPLACES FORM 10-101  
1 AUG 54 WHICH MAY BE USED.

(47)